

Message Text

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DRAFTED BY ARA:CBJACOBINI:MBB

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FM SECSTATE WASHDC

TO AMEMBASSY SAN SALVADOR IMMEDIATE

C O N F I D E N T I A L STATE 233697

FOR ASSISTANT SECRETARY SHLAUDEMAN FROM LUERS

FOLLOWING REPEAT LIMA 8516 ACTION SECSTATE 20 SEP 76

QUOTE C O N F I D E N T I A L LIMA 8516

FOR ARA-WILLIAM LUERS, L-MARK FELDMAN, TREASURY-
RICHARD ERB

E.O. 11652: GDS

TAGS: BDIS, EIND, EINV, EMIN, PFOR, PE

SUBJECT: MARCONA-STATUS REPORT

1. SUMMARY: GOP WANTS TO SETTLE--BUT IS HAVING DIFFICULTY COPING
WITH SHIPPING ASPECT OF APRIL AGREEMENT IN PRINCIPLE. WE
BELIEVE, HOWEVER, IT MAY STILL BE POSSIBLE TO REACH AGREE-
MENT WITHIN HOURS BY MAXIMIZING CASH AND ORE SALES, AND
THEREFORE WISH TO ALERT DEPARTMENT TO POSSIBLE NEED FOR
CLEARANCE FOR SOMEWHAT REVISED TEXT OF INTERGOVERNMENTAL AGREE-
MENT BEING SENT SEPTTEL. END SUMMARY.

2. AS OF SUNDAY NIGHT, VIRTUALLY ALL ISSUES RELATING TO ORE
SALES CONTRACT HAD BEEN RESOLVED, BUT SERIOUS PROBLEM EXISTED
OVER FREIGHT RATES TO BE INCLUDED IN SHIPPING CONTRACT.

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U.S. TEAM HAD BEEN CONSIDERING, WITHOUT ACCEPTING, PERUVIAN

PROPOSAL CALLING FOR A PACKAGE OF \$30.2 MILLION CASH (NOTE PAYABLE WHEN BALANCE OF PAYMENT FINANCING BECOMES AVAILABLE, PROBABLY ABOUT NOVEMBER 1), \$11 MILLION IN COMPENSATION FROM FREIGHT CONTRACT (PRESENT CONTRACT PLUS THREE YEAR EXTENSION), AND REVISED ORE SALES CONTRACT, INCLUDING ALREADY AGREE 3.1 MILLION TONS OVER THREE YEARS (\$18 MILLION ASSUMING \$6 PER TON MARGIN) PLUS ADDITIONAL 633,000 TONS TO PRODUCE ADDITIONAL ESTIMATED \$3.8 MILLION. ASSUMING FREIGHT CONTRACT DETAILS CAN BE WORKED OUT, OR SUITABLE ALTERNATIVE MEANS TO PRODUCE NECESSARY \$9 MILLION CAN BE FOUND, CONTRACTS, PROMISSORY NOTE AND INTERGOVERNMENTAL AGREEMENT WILL BE PRESENTED TO COUNCIL OF MINISTERS TUESDAY, WITH SIGNATURE OF ALL FOUR SCHEDULED FOR WEDNESDAY.

2. GOP HAS DECIDED THAR RATHER THAN TRY TO CONCEAL INDIRECT PORTION OF SETTLEMENT, IT WILL PUBLICLY ACKNOWLEDGE NOT ONLY DIRECT CASH PAYMENT BUT ESTIMATED INDIRECT COMPENSATION ELEMENTS OF PACKAGE AS WELL. AS A RESULT, IT HAS REVERTED TO ORIGINAL CONCEPT (SUGGESTED BY US) OF INTERGOVERNMENTAL AGREEMENT (RATHER THAN JOINT COMMUNIQUE PLUS EXHCNAGE OF NOTES COVERING QUITCLAIM). DRAFT TEXT--WHICH WE WILL CABLE MONDAY A.M. TO WASHINGTON--LARGELY INCORPORATES LAREADY AGREED LANGUAGE AND APPEARS TO RAISE NO SERIOUS PROBLEMS.

3. KEY AREA STILL IN DISPUTE, AS NOTED ABOVE, IS FREIGHT RATES, MARCONA'S RATES, WHILE BASED ON WORLD SHIPPING INDEXES, ARE SIGNIFICATLY HIGHER THAN RECENT QUOTES RECEIVED BY PERUVIAN SHIPPING ENTITY, AND KEY MINISTERS ARE BOTH WORRIED ABOUT PUBLICLY EXPLAINING WHY MARCONA IS BEING PAID A HIGHER RATE, AND SUSPICIOUS OF MARCONA'S GOOD FAITH. WE ARE EXPLORING ALTERNATIVE MEANS OF REALIZING \$9 MILLION IN COMPENSATION (EXISTING FREIGHT CONTRACT WILL PRODUCE ABOUT \$2 MILLION) AND BY MIDDAY MONDAY SHOULD HAVE SOME IDEA HOW MATTER WILL BE RESOLVED.

4. ARA PLEASE REPEAT TO HARRY SHLAUDEMAN. DEAN UNQUOTE ROBINSON

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